CA2ON
Z 1
-63A22

20: I -5-10

Submission from : W.C. Wood, President,
W.C. Wood Co. Ltd.

SOME SUGGESTIONS RE TAXATION

Relative Factors:

1. Governments believe they can maintain full employment by manipulation of money and credit.
2. Labour unions believe they can set aside "the Law of supply and demand" and demand higher and higher prices for their services obtaining annual increases, and not price themselves out of work.
3. Many believe we can create a prosperous, productive and healthy economy by doing for people what people should do for themselves.
4. Political parties are more concerned with give-away plans to get the vote than with our national well-being. Nevertheless when they get in power they believe they will give good government.

The above are all false premises, but they are responsible for our rapidly rising national debt and a very high taxation rate that is hampering national growth. High labour costs and high taxation will wreck our economy unless we reduce and control these factors.

Objectives in a Tax Revision:

1. Encourage investment in secondary industry.
2. Provide more employment.
3. Make it more attractive for our skilled and trained people to remain in Canada and invest in Canada.
4. Make Canada attractive to both capital and immigrants.

The foregoing objectives are behind the recommendations being made.

-53A22

Recommendations:

1. Revise Our Income Tax Rate Sharply Downward with 50% as a maximum rate to start and 10% as the minimum. (The high rate of income taxation syphons off a great deal of capital that would otherwise be available for investment in secondary industry.)
2. Abolish the 11% manufacturers' sales tax, increase the retail sales tax to 10%, and make it apply to a lot of the services as well as manufactured goods. (Exempt essential foods.) Most of the Provinces now have the machinery set up to collect retail sales tax. The present 11% manufacturing sales tax pyramids and for one dollar the government gets, the customer pays from one dollar and thrity-three cents, to two dollars, or three dollars, depending on the distribution mark-up.

A 10% retail sales tax is easy to calculate. Collect it at thelocal level, and distribute it to the municipal, provincial and federal departments. The Provincial and Federal Governments would share the costs of collection and save a lot of present duplicated costs.

In most cases the 10% retail tax would cost the customer less than the combined 11% manufacturing sales tax and the Provinces' 3% - 5% retail tax, yet it would yield the governments more money.

This being out in the open would also have a deterrent effect on public demands on government.

3. Exempt companies from income tax on the earnings necessary to cover dividends (wages of capital) at, at least, 6% on both preferred and common stock (shareholders' equity). Get the income tax on it when paid to the shareholders.

4. Exempt From Income Tax All Dividends Plowed Back Into The Business to build the business, also all earnings, wages, salaries or dividends that are invested in original (new) capital in secondary industry, not shares traded on the stock markets.

Recommendations:

1. Revise the Income Tax Rate Structure Downward with 50% as a maximum rate to start and 10% as the minimum. (The high rate of income taxation syphons off a great deal of capital that would otherwise be available for investment in secondary industry.)

2. Abolish the 11% manufacturers sales tax, increase the retail sales tax to 10%, and make it apply to a lot of the services as well as manufactured goods. (Exempt essential foods.) Most of the Provinces now have the secondary and not up to collect retail sales tax. The present 11% manufacturing sales tax produces one and two dollars for the government coffer, the consumer pays from one dollar and thirty-three cents, in the dollars, or three dollars, depending on the distribution set-up. A 10% retail sales tax is easy to collect. Collect it at the source, and distribute it to the municipal, provincial and federal departments. The Provincial and Federal Governments would share the costs of collection and save a lot of present duplicated costs.

In most cases the 10% retail tax would cost the customer less than the combined 11% manufacturing sales tax and the Provincial 3% - 5% retail tax, yet it would yield the governments more money.

This being out in the open would also have a deterrent effect on public demands on government.

3. Exempt companies from income tax on the principle necessary to cover dividends (wages of capital) at, as later, 5% on book profits and wages alone (Preferential equity). Get the income tax on it when paid to the shareholders.

4. Income from Income Tax All Dividends Plowed Back Into The Business to build the business. Also all earnings, wages, salaries or dividends that are invested in original (new) capital in secondary industry, not shares traded on the stock markets.

5. Reduce Income Taxes of Secondary Industry to a Maximum of 25% on earnings after requirements of dividends have been provided for.

Small industries and businesses are the great employers and they generally need all the capital they can create in their operation.

The above will result in increase in employment, and the tones in the additional wages and salaries would soon offset the loss in present income taxes from secondary industry.

6. Governments Stop Priming the Pump to Keep Our Economy Going. Pump priming has not solved any problems yet. It it is kept up Canada will go broke just as surely as a spendthrift business or family would. There is a much better way.

7. Stop the Annual Wage Increase. It is pricing both workers and industry right out of work. Instead of wage increases, let industry and commerce reduce their prices. The whole population would benefit. Companies which have made across-the-board wage and salary increases in the last twelve months should be required to cancel these increases and reduce their prices accordingly.

As long as unemployment exists, companies, public utilities, railroads, etc. which are paying wages and salaries above the average should be required to further reduce wages and salaries, and also their prices, until unemployment above the unavoidable minimum has disappeared.

Raising wages may raise the standard of living of a few at the expense of the many. Lowering wages does not necessarily lower the standard of living. Increasing our per capita productivity in terms of physical goods and services is the only way we can raise our standard of living, and raising our standard of living by going deeper and deeper into debt is at best a very temporary expedient and ultimately results in failure. We have to think in terms of world markets and getting our costs down so that we can be competitive in these markets. To sell abroad we must buy; a fair exchange will make us both better off. The lowering of tariffs and a greater exchange of goods and specialization are the road to a better standard of living.

5. Reduce Income Taxes of Secondary Industry to a Maximum of 25% on earnings after requirements of dividends have been provided for.

Small industries and businesses are the great employers and they generally need all the capital they can create in their operation.

The above will result in increase in employment, and the sense in the additional wages and salaries would soon offset the loss in present income taxes from secondary industry.

6. Governments Stop Printing the Pump to Keep Our Economy Going. Pump printing has not solved any problems yet. If it is kept up Canada will go broke just as surely as a spendthrift Englishman or family would. There is a much better way.

7. Stop the Annual Wage Increase. It is pricing both workers and industry right out of work. Instead of wage increases, let industry and commerce reduce their prices. The whole population would benefit. Companies which have made across-the-board wage and salary increases in the last twelve months should be required to cancel those increases and reduce their prices accordingly.

As long as unemployment workers, companies, public utilities, railroads, etc. which are paying wages and salaries above the average should be required to further reduce wages and salaries, and also their prices, until unemployment above the unavoidable minimum has disappeared.

Raising wages may raise the standard of living of a few at the expense of the many. Lowering wages does not necessarily lower the standard of living. Increasing our per capita productivity in terms of physical goods and services is the only way we can raise our standard of living, and raising our standard of living by going deeper and deeper into debt is at best a very temporary expedient and ultimately results in failure. We have to think in terms of world markets and putting our costs down so that we can be competitive in these markets. To sell abroad we must buy; a fair exchange will make us both better off. The lowering of tariffs and a greater exchange of goods and specialization are the road to a better standard of living.